
Local Government Reform (LGR) Benefits Update

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1.0 Summary

- 1.1 The LGR Business Case included savings of £18.5m over three years. This report provides an update on the identification and delivery of LGR financial benefits to date (Year 1 of being an unitary authority) and sets out how the remaining savings will be achieved as an integral part of the Council's new Improvement and Transformation Programme.
- 1.2 The LGR Business Case was based upon delivering £12.3m out of the £18.5m from staff savings with a reduction of 339 staff. These figures have been built into the 2023/24 and 2024/25 budgets and are included in the current MTFP for 2025/26. These savings are therefore additional to the 25/26 £40m workforce savings required under the Improvement and Transformation Programme.
- 1.3 Redundancy costs to date resulting from LGR have been funded by the LGR Implementation budget. The capitalisation directive will be used to fund further redundancies as part of the wider Improvement and Transformation Programme.

LGR Staff Savings Summary	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Tiers 1 to 3	2.9 <i>(£2.6 base budget savings achieved)</i>			2.9
Other Staffing	1 <i>(£687k base budget savings achieved plus one-off underspent staff budget which now needs to be made permanent)</i>	4	4.4	9.4
Total	3.9	4	4.4	12.3

1.4 The current LGR (and Improvement and Transformation Workforce Programme) staff savings position can be summarised as:

- £3.3m base budget savings achieved (£2.6 Tiers 1-3 plus Tier 4 saving of £687k)
- Remaining target of £9m LGR staff savings
- Plus additional £40m of savings required for 25/26
- Therefore, overall staff savings target of £49m.
- Of the £49m, £4.6m is required to be realised in-year (i.e. total savings delivered as at 31/3/25 equal to or exceeding £4.6m)
- Target for 25/26 of £44.4m (to be realised by 31/3/26).

1.5 Within the Workforce Programme there are 11 pay-bill reduction key lines of enquiry being implemented to achieve this (and to make the 23/24 savings permanent where possible) and the savings will be tracked as part of the Improvement & Transformation Programme benefits tracking. This report includes further detail into how this will be achieved (section 5.11).

1.6 This report will also form part of the response to Government regarding the tracking of organisation wide transformation benefits, in line with the expectations of the capitalisation direction. It also confirms to Government, specifically DLUHC, on the position of our financial and non-financial benefits for the first year of Unitary.

1.7 Benefits management helps to meet all four of the Council Plan outcomes.

2.0 Issues for Consideration / Recommendations

2.1 Members are invited to note the work to date and to provide feedback on the planned way forward.

3.0 Background

3.1 Local Government Reorganisation in Somerset provides us with opportunities for public sector transformation and improvement. National economic challenges, including the cost-of-living crisis and inflation, coupled with an ageing population, guarantees that demand for our services will continue to grow whilst also exacerbating ongoing funding pressures that are putting our financial sustainability at risk.

3.2 The LGR Business case identified £18.5m of savings resulting from efficiencies realised through bringing the 5 former Somerset Authorities together. The approach to delivery allowed for a period of transition to realise the efficiencies over a three year period, however, the Council's financial position now requires more rapid change on a far greater scale, to deliver significant additional savings (25/26 budget gap of £103.9m as reported to Full Council in February 2024) in order to achieve financial sustainability.

3.3 This will be achieved through an Improvement and Transformation Programme that will bring together the activity required to deliver our vision, redesign our organisation, reshape our workforce, transform our services and deliver our savings. The Programme comprises five component interrelated parts which run concurrently until March 2025:

- New Organisational Design
- Workforce Programme
- Innovation and Change Programme
- Partnerships, Devolution and Localities Programme
- Savings Delivery Plan

3.4 It is important that we are still able to evidence the achievement of the objectives and outcomes in the LGR Business Case, through the new whole Council transformation approach, as well as the additional financial and non-financial benefits of the Improvement and Transformation Programme. Our Benefits Management and Realisation approach will enable us to do this effectively, concurrently and consistently, whilst contributing to providing

assurance to the Department for Levelling Up, Housing and Communities for Somerset Council's capitalisation direction regarding delivery of both the new programme's outcomes and LGR.

4.0 Approach to Benefits management and realisation

- 4.1 Benefits management helps us evidence why, how, where and when cost has been driven out of the organisation (cash benefit). It is also an effective way of evidencing performance improvements in services (non-cash benefit) and the impact of investment.
- 4.2 Our approach to benefits management and realisation enables us to link the outputs (our products) that we deliver from planned programme activity to the overall strategic objectives and outcomes in business cases e.g. LGR. Our outputs deliver new organisational capability and, through change and adoption activity to invoke that new capability we are able to deliver improved outcomes and measure these improvements, understanding how they help us towards achieving our overall objectives.
- 4.3 Tracking the delivery of activities and outputs enables us to understand at the earliest opportunity any decrease in confidence or increase in risks related to the realisation of benefits and put in place early mitigations, thus integrating benefits management into our programme management approach.
- 4.4 An Audit was undertaken by South West Audit Partnership in Summer 2023 to validate the Benefits Realisation approach developed to track Local Government Reorganisation (LGR) benefits with a view to it being used as a blueprint for future change initiatives.
- 4.5 The aim of the audit was to *“provide advice and support on the Benefits Realisation process developed to track LGR benefits which will be used as blueprint for future change initiatives.”*
- 4.6 The auditors stated that *“The process for identifying, defining and monitoring benefits from the outset of change initiatives has been well considered and, if used effectively by staff, will provide the organisation with good intelligence to prioritise change initiatives based on thorough understanding of benefits opportunities and track these through to completion. The process is supported by the benefits tracking app providing a good system for capturing benefits and to allow for central monitoring and oversight.”*

4.7 The Audit recognised a strong and well considered evidence and risk based approach to benefits management to support the realisation of the LGR Business case.

5.0 LGR Benefits position as at 31/03/24

5.1 £17.5m of LGR enabled financial benefits had already been identified (over 3 years) prior to the Council's financial emergency.

5.2 Identification of further LGR enabled savings was an integral part of the Council's Medium Term Financial Strategy, driven through the Council's Financial Emergency Response to identify further efficiencies that could be realised through ongoing alignment of services e.g. systems, contracts.

5.3 This generated a further £3.9m of new LGR enabled savings which were included as part of the 2024-2028 budget setting, bringing the total maximum LGR savings opportunities to £21.2m between 2023/24 to 2025/26 exceeding the LGR business case target as illustrated in table A. Note a further £0.2m is committed for delivery in 2026/27.

Table 1: LGR Enabled Savings 2023-2027

	Deliver y 23/24	Deliver y 24/25	Deliver y 25/26	Deliver y 26/27	Total
A) Savings approved in February 2023 (2023-27 MTFP)	£7.6m	£4.9m	£4.8m	£0.2m	£17.5m
B) Savings approved in February 2024 (2024-28 MTFP)	£0m	£2.1m	£0.5m	£0m	£2.6m
C) Total Savings in MTFP	£7.6m	£7.0m	£5.3m	£0.2m	£20.1m
D) Savings included in 2024-28 budget but subject to further decision making	n/a	£0.2m	£1.1m	n/a	£1.3m
E) Total maximum potential LGR enabled savings	£7.6m	£7.2m	£6.4m	£0.2m	£21.4m

5.4 Table 2 below illustrates that so far £6.7m savings have been achieved and a further £0.4m were on track to be delivered by 31st March 2024 and are anticipated to be confirmed as achieved when the Month 12 (23/24) budget monitoring / outturn report is published for August Executive Committee. The achieved savings includes £2.6m management savings delivered via the tiers 1-3 senior leadership restructure; £2.5m efficiency savings and £1.3m of temporary establishment savings (see table 2).

Table 2: LGR Savings Delivery achieved as at 31st March 2024

	TOTAL
A) Max savings potential (as per Table 1)	£21.4m
B) Achieved	
- Efficiencies	£2.5m
- Management savings	£2.6m
- Staffing (via £687 T4 plus once off measures)	£1.3m
- Overachieved savings	£0.3m
C) Total achieved	£6.7m
D) On track to deliver by year end	£0.4m
E) Unachievable savings	£0.8m
F) Overachieved Savings	£0.3m
G) Revised Maximum LGR Savings Potential (A - E + F)	£20.9m

5.5 The workforce related savings within the MTFP were modelled from the LGR business case and were on a tier-by-tier basis, with £2.9 management savings, and a total of £9.4m staff savings (made up of £1m 23/24, £4m 24/25 and £4.4m 25/26). In recognition of the increased pace and scale of savings that are required to achieve financial sustainability, the planned approach for delivering the £9.4m staff savings has required reconsideration.

5.6 Planned tiered and service restructuring was largely paused in quarter 3 (23/24), both to enable resource to focus on the workforce reshaping and resizing programme and to ensure future operational structures are considered and designed as part of the more radical whole council redesign. LGR restructuring has only continued where it has been necessary to do so to maintain safe delivery of services.

- 5.7 In order to mitigate the risk of delayed delivery of the 23/24 LGR staff savings (£1m) and remaining management savings (£0.3m) establishment control measures were put in place in October 2023 to maximise in-year workforce savings. These measures have been successful, and the indicative outturn report shows that there is an expected underspend of £3.2m from staffing budgets (after taking into account agency spend) across services that were merged through LGR. These services were in the Council’s Community, Climate and Place, Strategies, Workforce & Localities and Resources Directorates . The breakdown of staffing underspend by service is detailed below in Table 3: Indicative outturn for 2023/24 staffing budgets across services bought together through Local Government Reform.
- 5.8 This figure also includes any in-year part savings resulting from the tier 4 restructuring. Tier 4 restructuring to date will contribute £687k on an ongoing basis (removed from budgets for 24/25) towards the £9.4m and £0.3m shortfall on a permanent basis.
- 5.9 Staffing budgets (and agency spend) from Adults, Children's and Public Health services weren’t included as these Services weren’t undertaken by District Councils and therefore staffing budgets did not have LGR enabled workforce savings.

Table 3: Indicative outturn for 2023/24 staffing budgets across services bought together through Local Government Reform.

Community Services		Budget	Outturn	Over/(under) spend
Housing	Somerset Council Employees	6,841,800	6,792,112	-49,688
	Agency Staff	0	889,685	889,685
Housing Total		6,841,800	7,681,797	839,997
Customer Services	Somerset Council Employees	8,340,100	8,069,561	-270,539
	Agency Staff	0	147,119	147,119
Customer Services Total		8,340,100	8,216,679	-123,421
Cultural Services	Somerset Council Employees	5,401,300	5,494,078	92,778
	Agency Staff	0	2,377	2,377
Cultural Services Total		5,401,300	5,496,455	95,155
Regulatory & Operational	Somerset Council Employees	15,706,900	15,657,976	-48,924

	Agency Staff	424,900	421,340	-3,560
Regulatory & Operational Total		16,131,800	16,079,316	-52,484
Community Services TOTAL		20,583,200	21,394,932	811,732

Climate & Place		Budget	Outturn	Over/(under) spend
Climate, Environment & Sustainability	Somerset Council Employees	5,360,300	5,776,162	415,862
	Agency Staff	0	147,034	147,034
Climate, Environment & Sustainability Total		5,360,300	5,923,196	562,896
Infrastructure & Transport	Somerset Council Employees	14,104,700	14,160,966	56,266
	Agency Staff	4,500	853,250	848,750
Infrastructure & Transport Total		14,109,200	15,014,216	905,016
Economy, Employment & Planning	Somerset Council Employees	14,898,500	11,287,286	-3,611,214
	Agency Staff	1,022,600	2,169,554	1,146,954
Economy, Employment & Planning Total		15,921,100	13,456,840	-2,464,260
Accountable Bodies	Somerset Council Employees	14,000	206,456	192,456
	Agency Staff	0	39,700	39,700
Accountable Bodies Total		14,000	246,157	232,157
Climate & Place TOTAL		35,404,600	34,640,408	-764,192

Strategy, Workforce and Localities		Budget	Outturn	Over/(under) spend
Partnerships & Localities	Somerset Council Employees	1,889,200	1,550,952	-338,248
	Agency Staff	0	6,096	6,096
Partnerships & Localities Total		1,889,200	1,557,047	-332,153
Strategy & Performance	Somerset Council Employees	7,488,750	7,149,167	-339,583
	Agency Staff	0	58,126	58,126
Strategy & Performance Total		7,488,750	7,207,293	-281,457
Workforce	Somerset Council Employees	7,044,750	6,239,477	-805,273
	Agency Staff	0	127,441	127,441
Workforce Total		7,044,750	6,366,918	-677,832

Governance, Democratic & Legal Services	Somerset Council Employees	5,847,000	4,323,627	-1,523,373
	Agency Staff	22900	1,825,597	1,802,697
Governance, Democratic & Legal Services Total		5,869,900	6,149,224	279,324
Strategy, Workforce and Localities TOTAL		16,422,700	15,131,259	-1,291,441

Resources & Corporate		Budget	Outturn	Over/(under) spend
Finance and Procurement	Somerset Council Employees	15,915,800	14,205,845	-1,709,955
	Agency Staff	0	464,568	464,568
Finance and Procurement Total		15,915,800	14,670,413	-1,245,387
Strategic Asset Management	Somerset Council Employees	6,899,800	6,407,025	-492,775
	Agency Staff	10800	122,547	111,747
Strategic Asset Management Total		6,910,600	6,529,571	-381,029
Information, Communication Technology	Somerset Council Employees	9,420,600	8,759,561	-661,040
	Agency Staff	0	325,536	325,536
Information, Communication Technology Total		9,420,600	9,085,096	-335,504
Resources & Corporate TOTAL		32,247,000	30,285,081	-1,961,919

SUMMARY	Budget	Outturn	Over/(under) spend
Community Services	20,583,200	21,394,932	811,732
Climate & Place	35,404,600	34,640,408	-764,192
Strategy, Workforce & Localities	16,422,700	15,131,259	-1,291,441
Resources & Corporate	32,247,000	30,285,081	-1,961,919
SUMMARY TOTAL			-3,205,820

5.10 We are therefore confident that the required £1.3m staff savings for 23/24 have been achieved via the once off establishment control measures, as demonstrated by the staffing underspends, which exceed the target by £1.9m. These savings will now be made permanent (where possible) through the Improvement & Transformation Workforce Programme.

5.11 The Workforce Programme will enable a redesigned and reshaped workforce that is smaller, costs less, is more efficient and productive and demonstrates a values-led people culture. It will deliver, alongside other outcomes, a reduction to our pay-bill of c. £40m plus the remaining LGR savings (£4.4m in 25/26 and £4.6m in 24/25). There are 11 pay bill reduction key lines of enquiry being

implemented to achieve this, and the savings will be tracked as part of the Improvement & Transformation Programme benefits tracking.

1. Managed and controlled recruitment
2. Establishment control / Removal of budgeted vacancies where a post is not essential.
3. Reduction of agency workers
4. Reduction of interims and consultants
5. Voluntary reduction of contract hours
6. Review of Fixed Term Contracts
7. Annual leave purchase scheme
8. Overtime
9. Expenses and allowances
10. Voluntary redundancy
11. Workforce budget reductions from the whole Council restructure programme

6.0 Savings Categories

6.1 The LGR business case outlined the types of savings anticipated. The table below shows the savings achieved and expected against these categories.

Table 4: LGR Savings by Business Case category

Business Case Category	Savings Achieved 23/24 Q1-Q4	Savings Expected Q4 * (subject to Finance Verification)	Committed 24/25 (prior year & 24/25)	Committed 25/26 (prior year & 24/25)	Committed Beyond 25/26	Total Savings Committed by Category	Business Case Original Values	Difference
Accommodation	-	£0.2	£0.2	£0.2	-	£0.6	£0.50	+£0.1
Contracts	£0.9	£0.0	£0.4	-	-	£1.3	£3.60	-£2.3
Corporate Services & Service	£1.8	£0.2	£6.1	£6.2	£0.2	£14.5	£8.70	+£5.3

Consolidation								
Elections & Democracy	£0.5	-	£0.1	-	-	£0.6	£0.80	-£0.2
IT	£0.8	-	£0.4	-	-	£1.2	£1.50	-£0.3
Members Allowances	£0.05	-	-	-	-	£0.05	£0.50	-£0.45
Senior Management	£2.6	-	-	-	-	£2.6	£2.90	-£0.3
Total	£6.7	£0.4	£7.2	£6.4	£0.2	£20.9	£18.50	

7.0 Non-Financial Benefits

7.1 The first year of LGR enabled the “to-be” state but also brought the financial challenge of working within what is now affordable for the Council, therefore making tracking of non-financial benefits harder due to the wider, more rapidly changing picture.

7.2 The financial emergency has resulted in a more radical and refreshed approach than the blueprint on Vesting Day, however, we have achieved a large volume of non-financial improvements which are not necessarily practical to track. These include (but are not limited to):

- New Constitution & Scheme of Delegation
- Single telephone number and website for customers
- A single finance system – Microsoft Dynamics
- A Single Payroll for all staff and members
- Combined Strategic Risk Register
- A single budget and MTFP for Somerset Council
- Single Telephony and integrated WiFi network
- Unified data sharing framework
- A suite of aligned or new strategies and policies including Partnership Strategy and HR policies

7.3 All non-financial improvements can be viewed here: [One Somerset Non-Financial Improvements.docx](#).

8.0 Integration into new Transformation Programme

- 8.1 LGR savings will now be integrated into the Council's refreshed Improvement and Transformation Programme and will be subject to same rigour, tracking and delivery as all of the Council's MTFP savings.
- 8.2 The activity led approach to benefits tracking is being adopted as part of the Council's approach to all MTFP savings monitoring, to support proactive mitigation and ownership of any at risk savings.
- 8.3 As part of the progression towards a whole Council approach to transformation, all existing MTFP savings commitments have been mapped to understand the proportion of existing savings that will be delivered via different programmes within the Improvement and Transformation Programme, as well as those service led savings and efficiencies that enable future change opportunities e.g. devolution or have potential dependencies with the whole organisational redesign.
- 8.4 Further LGR enabled savings could be identified through the Improvement and Transformation programme as we seek to understand any opportunities remaining from fully aligning services. This has been built into the refreshed Medium Term Financial Strategy and organisational design work and any LGR enabled savings will be captured as business cases or outline savings proposals will be developed.

9.0 Implications

- 9.1 If we do not have proactive tracking and monitoring of the delivery of LGR savings, it will contribute to further financial pressures. It is important that Members are aware of the approach and believe the highlighted approach is the right one.

10.0 Appendices

- 10.1 LGR Benefits Approach (Approved March 2023) : [Benefits Exec-SLT Report FINAL VERSION .docx](#)
- 10.2 Internal Audit Review Full Report (July 2023): [SC Benefits Realisation Approach_2324_Final Report.pdf](#)
- 10.3 Details of savings and targets to date re Workforce Key Lines of Enquiry as shared with Informal Exec (May 2024): [Key Lines of Enquiry Update .pptx](#)